



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

OUR EUROPEAN TRADE.

BY ROBERT P. PORTER, SPECIAL COMMISSIONER FOR THE UNITED STATES TO CUBA AND PUERTO RICO.

THE United States, at the close of the nineteenth century, is undergoing a change from an agricultural and raw-material producing state to an industrial state. So long as we furnished Europe food and raw material to be converted into highly manufactured articles and to be resold to us and the other markets of the world at a profit, there was little friction in commercial relations. Balances, in many cases, were in our favor, to be sure, but what did that signify when the wheat, corn, flour, cattle, cotton, leather, oil, wood, tobacco, copper and other articles of export were all converted by European labor into something more valuable, and became a source of wealth to the countries purchasing the goods? Our commercial treaties are ancient and a little lame in spots, our consular service not trained in commercial matters (although many of its members are efficient and creditable representatives), our diplomatic service liable to constant change, to say nothing of other defects, such, for example, as the utter lack of banking facilities in our foreign trade machinery. In spite, however, of these and kindred obstacles, we have up to the present time found little difficulty in sending the products of our strongest industries into the world's markets, especially into the European markets, which absorb nearly four-fifths of our foreign exports, and whence we draw from two-thirds to one-half of our imported merchandise. Not that we have ceased to produce for export agricultural products and raw materials. Far from it; for the year 1898 registered the high-water mark of our agricultural exports, exceeding in value \$858,000,000. Relatively speaking, therefore, our exports of agricultural products retain about the usual proportion, namely, nearly 71 per cent. of the total foreign

exports; but, actually, the exports of manufactured products have been steadily increasing, as a glance at the following table shows:

1886.....	\$136,541,978	1893.....	\$158,023,118
1887.....	136,735,105	1894.....	183,728,808
1888.....	130,300,087	1895.....	183,595,743
1889.....	138,675,507	1896.....	228,571,178
1890.....	151,102,376	1897.....	277,285,391
1891.....	168,927,315	1898.....	290,697,354
1892.....	258,510,937	1899.....	338,667,794

The considerable falling off in exports of agricultural products for 1899 has increased the percentage of manufactured products, which, without including mining and forest products and fisheries, represent nearly one-third of our exports for the last fiscal year. It is this particular phase of our foreign commerce which has attracted the attention of the European economists; and the possibilities of the United States in the great distribution of manufactured and natural products has, during the last year or two, been very earnestly discussed in London, Paris and Berlin. The above table shows an increase of over two hundred million dollars in value in exports of manufactured products since 1886. The European manufacturer looks upon this increase with alarm, and the refrain of his song is, If the United States continues to do more and more manufacturing for itself, and also to meet the products of our mills and factories in the open market, we must ultimately lose the seventy-four million of customers across the Atlantic. This is particularly the German method of argument. The German statesman sees, within the last ten years, a falling off of exports from his own country to the United States, and an increase of imports from the United States to Germany, and he becomes anxious. He attributes it to our "vigorously carried out protective system," and in some quarters, at least, proposes to meet it with more vigorous restrictions on the part of Germany. Last spring one of the ablest German statesmen actually made a speech in the Imperial Diet, the text of which was the continual decrease of the exports of agricultural products from the United States and the continual increase of the exports of manufactures. This in face of the fact that the year was the greatest in the history of this country for agricultural exports, and exceeded by over fifty million dollars the highest previous record—that of 1892. No one in the Reichstag seems to have raised the point.

The Englishman looks upon our increased exports of manufactures more philosophically, thanks God that he still has a good share of the transportation, and winds up by demonstrating to his own satisfaction that John Bull is all right anyhow. Mr. Bull was staggered just a bit last July when our export figures for the fiscal year, 1899, were published. I happened to be in London then and noted the comments of the press. The total sum of our exports, namely, \$1,227,000,000, just about equalled the exports last year from Great Britain. Practically, then, the United States export trade has now about an equal aggregate value with that of the United Kingdom; while our home market is worth, roughly speaking, twice as much as that of Great Britain. The worst feature in the problem for England is that her export trade has, excepting a recent spurt, been marked by retrogression rather than by steady progress. On the other hand, the export trade of the United States represents, as I have shown, prodigious growth, a growth showing no signs of diminution. Some of the daily newspapers seemed to see in the fact that the United States has overtaken and passed the United Kingdom as an export country, danger for British manufacture. Sir Robert Giffen, the retired statistician of the Board of Trade, is in no way disturbed. Sir Robert says there are obvious reasons why the United States should have an excess of exports. "In the first place," he contends, "the United States has to pay in exports for the share of the carriage of goods in our foreign trade which is performed by foreign ships. This is a very large figure. In recent years the proportion of the imports and exports of the United States carried in foreign ships has ranged between 75 and 80 per cent., so that the United States is a country which has to pay other nations for the carriage of its goods in the foreign trade. It may be mentioned, by the way, that the foreign country which does the carrying trade for the United States is mainly the United Kingdom." Sir Robert does not inform us how long this will continue. Not long, if the shipping bill now before Congress passes this session. "Next," so says Sir Robert, "the United States is a country which owes money in various ways to foreign nations. There is an annual stream of American visitors to Europe, and there is an American colony permanently residing in Europe, whose expenses have to be paid for. More important still, a great deal of capital has been invested in the United States

by Europeans—by English people, by Dutch people and Belgians, as well as by French and Germans, not to speak of minor nationalities of Europe. The interest on this debt has, of course, to be paid in exports, unless to the extent that, in any given period, reinvestments are made in the United States.”

In this way Great Britain's cheery Scotch economist accounts for everything, and shows that, in the end, whichever way it comes out, England is on the top. If Great Britain, which is really our great competing rival, is happy and satisfied over what we are pleased to call our prosperity, why should we complain? Meantime we may safely assume that no obstacle will be placed in the way of pushing American commodities into England. Unlike the German economists, Sir Robert Giffen does not approve of our “vigorous protective policy,” hence no suggestion of legislation to keep out American commodities will come from that quarter. It should be remembered that over half—55 per cent., I think, are the latest exact figures—our export trade is with England and her possessions.

Not so very long ago, when I used to discuss tariff questions with the late Judge Kelley, of Pennsylvania, and with that Democratic protectionist from the same State, the Hon. Samuel J. Randall, the idea was to secure protection for our metal schedule, so that we could manufacture at home the hundred million dollars' worth of manufactures of iron and steel which we once purchased abroad. We must make our own steel rails, our own tin plate, our own nails, our own pipes, our own steel wire, they argued in those days, and in doing so give employment to American labor. I recall preparing for Mr. Randall—before the debate on the proposed Morrison Bill, reducing duties horizontally—a little table, showing how much of these and kindred commodities we at that time were buying abroad. I demonstrated to Mr. Randall that we could just as well make all these things at home, and thereby employ two hundred thousand additional laborers. Mr. Randall was not a man you could load down with a bushel basket of statistics. He was concise and to the point, and the little table in question only made one sheet of note-paper. I gave it to him in his committee room at the House of Representatives. He was busy, but he read it over two or three times and put it into his pocket. That night he sent for me to come to his house. I went there, and he said: “Porter, if these figures are

reliable—and they seem to be within the mark—I will never vote for the Morrison Bill, nor for any other bill that will cut duties on iron and steel, cotton goods, woollens, leather, chemicals, etc., until we have our home market secure.” I satisfied Mr. Randall of the reliability of my estimates, and history tells what he did with the Morrison Bill. That both Judge Kelley and Mr. Randall, and later, Major, now President, McKinley, builded better than they knew, we all must now admit. The voice of the old-time free-trader seems hushed in the presence of the marvellous changes that have taken place since Kelley and Randall and McKinley fought for the home market for American labor. If we could have injected some of the following facts into those debates as prophecies, how the free-trade leaders would have sizzled! For example, the exports of iron and steel and their manufactures increased from \$21,156,077 in 1889 to \$93,715,951 in 1899, or nearly \$72,560,000. I tabulate some of the items of these and other exports, and it will be seen they cover a wide range of manufactures:

	1889.	1899.
Steel rails.....	\$235,377	\$5,298,125
Sewing machines.....	2,247,875	3,264,344
Typewriting machines.....	No reports.	2,449,205
Shoe machinery.....	“ “	853,936
Locomotive engines.....	1,227,149	4,728,748
Electrical and unspecified machinery.....	1,924,380	1,507,610
Builders' hardware.....	1,700,390	7,842,372
Nails and spikes.....	448,146	1,864,596
Pipes and fittings.....	No reports.	5,874,228
Steel wire.....	594,616	3,891,180
Agricultural implements.....	3,623,769	12,432,197
Carriages, etc.....	3,090,521	9,860,164
Chemicals, drugs and dyes.....	5,542,753	10,995,289
Cotton manufactures.....	10,212,644	23,567,914
Leather and manufactures.....	10,747,716	23,466,985
Wool and manufactures.....	26,910,672	41,679,416

Above are included only a few of the items which, as I recall it, composed the memorandum I prepared for Mr. Randall. We are not only supplying the bulk of the home market, but we are exporting, in large and increasing quantities, the very class of goods which fifteen years ago we were purchasing abroad. Surely on this point *The Sun*, of New York, was justified in saying last August:

“The enormous increase in the exports of American manufactures during the last ten years, and more particularly during the last two years, affords a suggestion which must be heeded by all sensible and practical men—that our economic policy is working satisfactorily. So strong has this evidence appeared to Mr. William R. Grace, an old-

time 'revenue reformer' of the Cleveland school, for instance, that he now frankly announces that he is convinced of the practical error of his past theory. Under our policy of protection we have built up manufacturing industries which are now successfully competing in the markets of the world with those of foreign nations, besides supplying a constantly increasing proportion of our domestic demand."

Verily, such figures must stagger even old-time revenue reformers.

Now that our foreign commerce has reached nearly \$2,000,000,000, we can well afford to give it serious attention. It will not drift along as heretofore. Russia, while exceedingly partial to the United States in purchasing railway equipment and supplies, and machinery of all sorts which she is not prepared to make in sufficient quantities herself, is, at the same time, energetically looking after the European markets for the products of her strongest industries. Her treaty with Germany, her friendly relations with France and her recent overtures to England are all in the line of a policy which has for its basic principle the broadening of the European markets for Russian food-stuffs, petroleum oil, mineral products, wool, timber, fibres, hides and skins. The activities of Russia, which we admire so much and on which so much has lately been written, mean a necessity for greater activities on our part to retain the markets for our exports of agricultural products and of raw material, which, as I have pointed out, have not declined with the stupendous increase in our exports of manufactures. As our home market becomes less attractive to the European manufacturer he will naturally become less friendly to the United States and more willing to encourage his own Government to make commercial alliance with the great European Power which is doing so much to bring the Far East, with all its possibilities, nearer Continental Europe. Those American concerns which compete with commodities supplied also by Russia will testify to the great activity of Russian commercial interests at the present time, not only in every country of Continental Europe, but in England. Russia, for example, was able to secure a treaty with Germany, in spite of the violent opposition of the Agrarian party, which makes it impossible for Germany to increase the duty on Russian corn while the treaty lasts. This treaty also gave Russia other decided advantages in the importation of products, some of which compete with American products. While the German Government itself has been in-

elined to deal fairly with the United States, there is a very considerable element in the body politic of that country that would not hesitate to discriminate against American products, by refusing, on one pretence or another, to recognize the "most favored nation" clause—a clause which some say exists in our various treaties with the several German States, though others claim that it is absent from these treaties. For the moment, as we have seen, our trade relations with Great Britain seem to be in a satisfactory condition, while the signing of the Commercial Treaty with France places our trade with the great European Republic in a more favorable state than it has been in for many years. The most favored nation clause given us in that treaty on some special articles, together with the minimum rates on others, will keep our French trade, so long as the treaty is in force, on a satisfactory basis. The treaty will be of decided advantage, and will prevent the anxieties which have constantly arisen in the minds of American merchants, who did not know what changes might be made from time to time in the rates. These changes—that is, from minimum to maximum—it was within the power of the Ministry to make without asking for legislation, and much of our trade depended upon "ministerial courtesies," brought about by the activity and popularity of the American Ambassador at Paris. Those not within the inner circle of diplomacy can have no conception of the constant calls upon our Ambassador to plead with his French ministerial colleagues not to disturb these rates, which were liable to fluctuate with the political barometer. For example, a sudden outburst of friendship for Russia might end in granting her the minimum rates, while articles of similar character from the United States remained at the maximum until "ministerial courtesy" brought them down. However, this is, I hope, ended now.

Our trade and commercial relations with Germany are of even greater importance than those with France; for, next to the United Kingdom, our business with the Fatherland is of greater magnitude than with any other nation. In the early part of last year, when I spent six weeks in Berlin studying our trade relations with Germany, considerable anxiety was experienced by German officials as to the future of that trade, some going so far as to claim that it was getting altogether one-sided. I did not at that time think the claim reasonable, though the

figures for 1898 showed a large balance of trade in favor of the United States and against Germany. Several natural causes contributed to this result. In the first place, we had purchased an unusually small amount of sugar in 1898, because, the year preceding, we had purchased an unusually large quantity. A fact which none of our Berlin critics realized was that our imports of sugar during 1898 were the smallest in twelve years, amounting to only 2,690,000,000 pounds. Compared with the record-breaking returns for 1897, when our imports reached the high figures of 4,919,000,000 pounds, these figures show a falling off of about 2,229,000,000 pounds. From a sugar bill of nearly \$100,000,000, we dropped with a thud to a sugar bill of \$60,000,000. Germany, in common with other sugar-producing countries, shared the loss. Having the previous year enjoyed this prosperity, the complaint was unreasonable and only indulged in by the Agrarian organs. The following table shows the imports from and exports to Germany from 1889 to 1899:

	Imports from Germany into United States.	Exports to Germany from United States.
1889.....	\$81,742,546	\$68,002,594
1890.....	98,837,683	85,563,312
1891.....	97,316,383	92,795,456
1892.....	82,907,553	105,521,558
1893.....	96,210,203	83,578,988
1894.....	69,387,905	92,357,163
1895.....	81,014,065	92,053,753
1896.....	94,240,833	97,897,197
1897.....	111,210,614	125,246,088
1898.....	69,697,378	155,039,972
1899.....	84,242,745	155,772,279

Here we have a view of our German trade for eleven years. It will be noted that, while the exports to Germany remain practically the same in 1899 as in 1898, the imports from Germany into the United States have increased, roughly speaking, about \$15,000,000. This should encourage our German friends. Long before the figures were published I told them we should import more goods from Germany this year, but they said that was only a forecast and could cut no figure in the serious facts which were facing them. We imported \$8,000,000 worth more sugar this fiscal year than last, with the strong probability that the calendar year will make a better showing. The balance of trade in favor of the United States in the fiscal year 1899 was \$71,529,476, against \$85,342,594 in 1898, \$14,035,474 in 1897 and \$3,656,364 in 1896.

During the decade 1890-1899 there have been seven occasions on which the balance of trade was favorable to the United States, and three in which the balance was against us. The total imports into the United States from Germany in the decade 1890-1899 were \$885,065,402, and the total exports from the United States to Germany \$1,085,826,756, the balance of trade in favor of the United States in the full decade being \$200,761,354. This total of 800,000,000 marks is really not a serious matter to the Germans, when we consider the commodities imported. The balance of trade against England is twice this amount, or exceeding \$400,000,000 every year. England, however, is in no way disturbed. Why? Because England has learned that three-quarters of all these imports means cheap food for her factory operatives, raw material for her mills, and commodities transported in British ships to be reshipped to other countries. In fact, this balance represents a source of wealth, not a loss, as the Agrarian statesman of Germany assumes. Cut off from Germany, the supply of American cotton, of mineral oils, of fertilizers, of tobacco, of copper, of lumber, of builders' material, of turpentine, of heavy machinery, and German industries would suffer. Reduce the supply of cheap breadstuffs, lard, bacon and meats, and the people must eat more horse-flesh and black bread, paying just as much for the inferior nourishment. Three-quarters of this so-called "balance against Germany" is a balance in favor of German industries, and simply indicates that Germany is fulfilling her mission as a great industrial nation. It represents the basis of her wealth, and is in no sense a sign of decadence. A considerable portion of this "adverse balance" is altogether fictitious, and merely indicates the great prosperity of the German shipping interests of Hamburg, Bremen and other minor ports. Quantities of these goods find their way *via* German ports and German railways to Russia, Belgium, Austria-Hungary and other European countries—a source of wealth to the German Empire rather than of discouragement.

The statesmanship which would seek to destroy these conditions is antiquated and not, I am happy to say, in harmony with the broader policy mapped out by Caprivi and approved by the Emperor. In the seven treaties already made, the idea was to assist the development of commerce. Let us hope our own Government will be able to negotiate a treaty along similar lines,

and stop the commercial friction which every now and then breaks out, threatening to upset our relations with our second most important trading nation. The main object of this treaty should be similar to the main objects of the other treaties, to secure for Germany cheaply, as imports, the necessities of life and of the raw materials for industries, in return for which Germany might secure certain reciprocal reductions in duty on her exported industrial products. It may be urged that the reciprocal clause of the Dingley Tariff Law, giving the President the power to reduce the duty twenty per cent. on products entering the United States, has expired. The next Congress, being Republican, would undoubtedly extend this power for twelve months. If this were done, and a little more energy put into our negotiations, we could tie up a considerable amount of our foreign trade for several years to come. This should be done, and now is the time to do it. It should be borne in mind that, when our commercial relations with Great Britain, Germany and France are satisfactory, four-fifths of our European trade is covered, for, roughly speaking, of the \$1,250,000,000 representing our total European trade not over \$250,000,000, or one-fifth, remains to be distributed among the minor European countries.

ROBERT P. PORTER.